

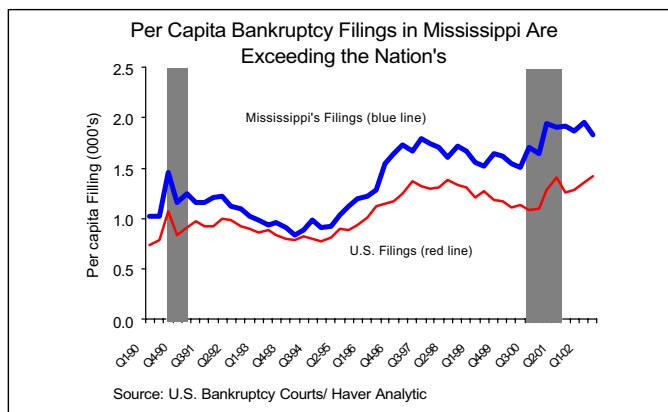
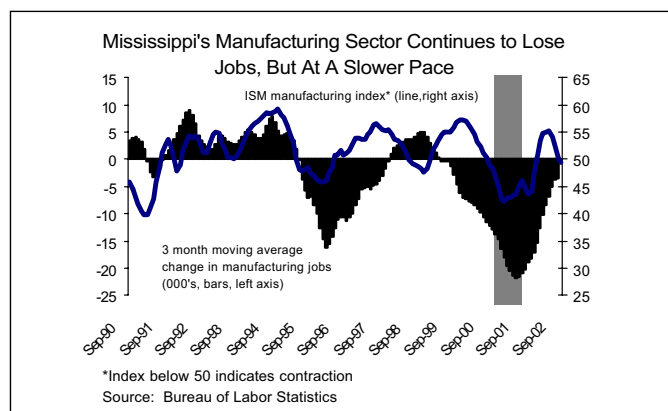
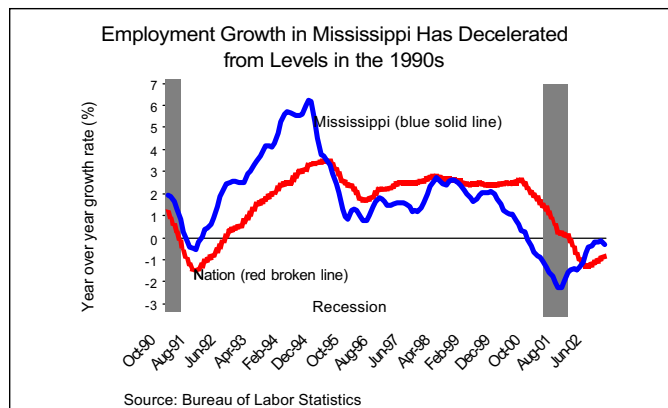
FDIC State Profile

WINTER 2002

Mississippi

Mississippi Slowly Moves in the Direction of Economic Recovery

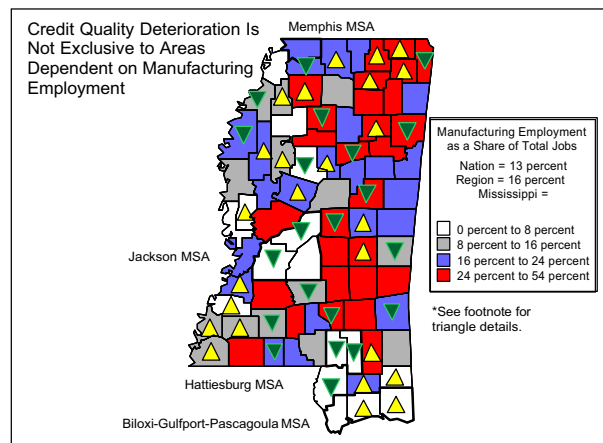
- The Mississippi economy remains weak, with employment gains in one month reversing in the next. The state's economy began to decline in mid 2000, well ahead of the national decline (see **chart**) because of early weaknesses in the important manufacturing sector.¹
- The manufacturing sector has been losing jobs since early 1995, but the pace of job losses has increased since mid 2000 (see **chart**). Job losses during the 1990s were more concentrated in the textiles and apparel sector, representing a movement of jobs outside the country. The prospects for the manufacturing sector remain uncertain, as shown by recent results of surveys conducted by the Institute for Supply Management. The results of the October survey showed little, if any, improvement for the fourth consecutive month.
- The prolonged weakness in the manufacturing sector has contributed to stress in other major sectors, most notably retail, transportation and public utilities. In addition, the hotel and lodging sectors have weakened considerably since 9/11. Despite the sluggish state economy, employment in the business services and government sectors has continued to grow moderately.
- The birth of the casino gaming industry in 1992 stimulated the state's economy during the early and mid 1990s, resulting in the creation of almost 36,000 jobs in the state at the beginning of November (3.2 percent of total employment). Despite the gaming industry's contributions to the Mississippi economy, the industry's strength is not expected to offset ongoing declines in the manufacturing sector.
- The Mississippi economy could get a major boost from the scheduled opening of a \$1 billion Nissan auto plant near Jackson. The plant is expected to hire between 4,000 and 5,300 workers. Several major parts suppliers have announced plans to locate near the Nissan plant.
- The state's slowing economy has contributed to a higher rate of bankruptcy filings (see **chart**). Mississippi was ranked 8th nationally in per capita bankruptcy filings as of second quarter 2002. Mississippi also reports one of the lowest per capita incomes in the nation.



¹ Employment in the manufacturing sector totaled 207,900 at the end of third quarter 2002 — 18.4 percent of total employment.

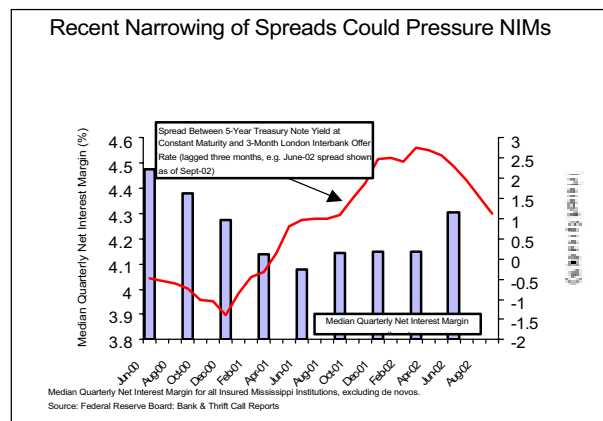
Credit Quality Appears to be Improving

- Median reported past-due loan ratios reached a cyclical peak of almost 4 percent during first quarter 2001. However, some improvement in credit quality had occurred by second quarter 2002 when the past-due ratio declined to 3 percent.
- Past-due ratios among insured institutions in areas dependent on the manufacturing sector have declined since mid-2000. However, ratios remain above levels reported by insured institutions in non-manufacturing areas.²



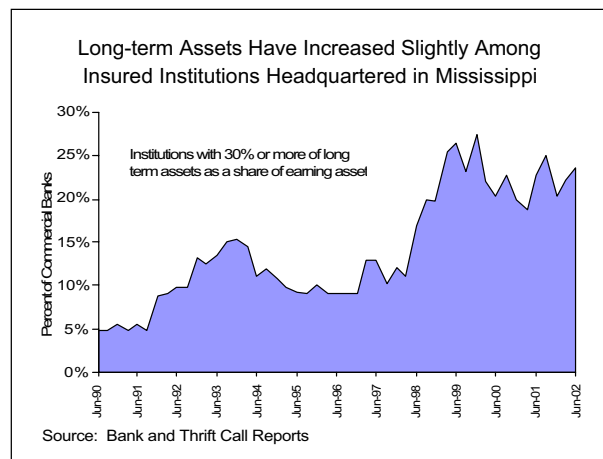
Favorable Interest Rates Boost Margins and Returns

- Median net interest margins for insured institutions headquartered in Mississippi reached 4.31 percent in second quarter 2002, the highest level since shortly after the beginning of the state's economic decline (see chart). The wide spread between short and long term interest rates helped contain funding costs as yields on earning assets declined. The margin improvement occurred across various asset types, geographic locations, and institution sizes. Median return on asset (ROA) levels rose to 1.28 percent, the highest in several years. Lower provisions for loan losses during 2002 also contributed to the improvement in ROAs.



Interest Rate Risk Remains an Issue to Watch

- The number of insured institutions that report significant holdings of long term (maturing in 5 years or more) assets increased in recent years. In most cases, investments are in the form of direct mortgage holdings or mortgage securities. However, further flattening of interest spreads, or an increase in rates could contribute to an increase in margin pressures for liability sensitive institutions.



² Median past-due loans were 2.95 percent of total loans in second quarter 2002, down from 3.36 percent one year ago among insured institutions in areas dependent on the manufacturing sector. In other areas, median past-due loans were 2.50 percent of total loans, virtually unchanged from one year ago.

State Profile

Mississippi

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98	Jun-97
Institutions (#)	106	109	107	109	113	122
Total Assets (in thousands)	37,311,092	36,177,661	31,487,741	29,415,392	33,909,881	33,211,379
New Institutions (# <3 years)	8	12	9	7	3	4
New Institutions (# <9 years)	17	16	12	10	7	8

Capital

Tier 1 Leverage (median)	9.89	9.94	10.28	10.05	10.14	9.98
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Asset Quality

Past-Due and Nonaccrual (median %)	2.82%	3.04%	2.82%	3.15%	2.95%	3.19%
Past-Due and Nonaccrual ≥ 5%	24	28	20	22	22	28
ALLL/Total Loans (median %)	1.43%	1.36%	1.37%	1.40%	1.47%	1.46%
ALLL/Noncurrent Loans (median multiple)	1.82	1.71	1.84	1.82	2.06	1.92
Net Loan Losses/Loans (aggregate)	0.35%	0.36%	0.36%	0.26%	0.20%	0.20%

Earnings

Unprofitable Institutions (#)	5	13	7	6	2	5
Percent Unprofitable	4.72%	11.93%	6.54%	5.50%	1.77%	4.10%
Return on Assets (median %)	1.13	1.04	1.20	1.25	1.30	1.36
25th Percentile	0.80	0.60	0.86	0.91	0.95	1.04
Net Interest Margin (median %)	4.23%	4.05%	4.43%	4.30%	4.37%	4.62%
Yield on Earning Assets (median)	6.82%	8.14%	8.21%	7.86%	8.20%	8.33%
Cost of Funding Earning Assets (median)	2.56%	4.21%	3.91%	3.61%	3.81%	3.76%
Provisions to Avg. Assets (median)	0.17%	0.18%	0.17%	0.15%	0.14%	0.15%
Noninterest Income to Avg. Assets (median)	0.85%	0.90%	0.84%	0.79%	0.76%	0.79%
Overhead to Avg. Assets (median)	3.07%	3.07%	2.95%	2.97%	2.93%	2.90%

Liquidity/Sensitivity

Loans to Deposits (median %)	73.04%	73.33%	75.66%	71.03%	68.45%	68.72%
Loans to Assets (median %)	60.71%	61.41%	63.19%	60.41%	59.40%	58.57%
Brokered Deposits (# of Institutions)	12	9	10	6	7	7
Bro. Deps./Assets (median for above inst.)	2.76%	5.31%	4.02%	3.02%	3.21%	5.02%
Noncore Funding to Assets (median)	21.57%	21.16%	20.76%	18.33%	18.71%	17.06%
Core Funding to Assets (median)	67.30%	66.36%	68.26%	70.18%	70.36%	71.75%

Bank Class

State Nonmember	77	80	79	78	77	82
National	20	20	19	20	22	24
State Member	1	1	1	1	2	2
S&L	4	4	4	5	6	6
Savings Bank	3	3	3	4	5	7
Mutually Insured	1	1	1	1	1	1

Asset Distribution

\$0 to \$100 million	47	51	51	53	58	66
\$100 to \$250 million	35	34	37	40	39	37
\$250 to \$500 million	14	15	10	8	8	7
\$500 million to \$1 billion	3	2	3	4	3	7
\$1 to \$3 billion	5	5	4	2	2	2
\$3 to \$10 billion	2	2	2	2	3	3
Over \$10 billion	0	0	0	0	0	0